

SB 306
Testimony of Shari Montgomery
President, MI Chapter of the Independent Glass Association
November 1, 2011

Good afternoon Mr. Chairman and members of the committee.

My name is Shari Montgomery. I am the owner/operator of Pollack Glass and I am the President of the Independent Glass Association, Michigan Chapter.

Thank you for considering SB 306 – a bill designed to enhance consumer choice by bringing (1) transparency to the referral process of auto glass repair and replacement and (2) objectivity to that referral process to assure that the privilege of self-referral is not abused by any third party administrator in favor of itself and at the expense of other network members.

The primary mission of the Independent Glass Association is to promote and defend consumer choice in the selection of a glass service provider. The Independent Glass Association, Michigan Chapter consists of 130 shops located throughout Michigan.

Michigan law allows auto insurers to utilize third party administrators (TPAs) to process claims for auto glass repair and replacement. This is a practice IGA supports because it brings cost savings to the insurance companies and consumers.

Michigan law also allows TPAs to own and operate glass repair facilities and allows those facilities to be in the very network the TPA administers. In other words, Michigan allows a TPA to refer to itself. That is where the problem begins.

There are five TPAs doing business in Michigan: Safelite, Quest, Lynx, Great Lakes, and Harmon Solutions. Of these, some own and operate glass repair facilities and some do not. Of those that self refer, Safelite is the largest, doing business with over 2/3rd of the auto insurers in Michigan.

While the IGA prefers Michigan law did not allow a TPA to self-refer, we recognize the self-referral model as a legitimate business model. Our request is that parameters be established to make certain the self-referral process is not abused and consumer choice is protected.

The Insurance Codes currently prohibits an insurer from “unreasonably restricting” the choice of the consumers preferred glass repair facility. SB 306 is designed to further protect consumer choice by establishing a code of conduct a TPA must follow in their referral process.

SB 306 amends the Insurance Code to prohibit an auto insurer from authorizing a TPA to also provide auto glass repair and replacement services for the insurer unless the TPA adopts a Code of Conduct that:

- (1) honors the customer's preferred choice of a repair facility if the preferred facility is in the network;
- (2) if the customer does not state a preferred repair facility, or if the preferred repair facility is not a network provider, the TPA shall suggest three repair facilities on an objective basis that is designed to not give a preference to repair/replacement facilities related to the TPA;
- (3) the TPA shall not promote its own or affiliated facilities by discussing national warranties, deductibles, waivers or cash pricing offered by those facilities
- (4) the TPA will not close its network as long as the network contains repair facilities owned by or operated by the TPA

SB 306 also establishes a reporting requirement that requires the TPA to file with the Insurance Commissioner and with network members data sufficient to determine the privilege of self referral is not being abused.

SB 306 does not create any new penalties or fines. Rather, it relies on whatever fine and penalties the Insurance Code current authorizes.

Thank you for your consideration of SB 306 and your concern for protecting consumer choice.